MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BFN2084 – PERSONAL FINANCE

(All sections / Groups)

8 MARCH 2016
9.00 a.m. - 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **THREE** pages (including the cover page) with **5 STRUCTURED QUESTIONS ONLY.**
2. Please answer **ALL** the questions.
3. Please print **ALL** your answers in the **Answer Booklet** provided.

QUESTION 1 (20 MARKS)

a. What are the main types of financial institutions used by consumers?

(5 marks)

b. Josh earned RM120 on RM1500 invested in a high yield money market account. He is taxed at 28% of his earnings. What is the effective yield on his investment?

(6 marks)

c. What is consumer credit? What are the advantages and disadvantages of consumer credit?

(4 marks)

QUESTION 2 (20 MARKS)

a. What are the two general rules of measuring credit capacity?

(5 marks)

b. A friend comes to you for advice about improving their credit score. What advice would you give them? Make sure to include the five steps for improving your credit score.

(15 marks)

QUESTION 3 (20 MARKS)

a. In what ways can you lower the risk to your lender in order to reduce your borrowing costs?

(5 marks)

b. Aziz wants to know what price home he can afford. His annual gross income is RM60,000. He has no other debt expenses and expects property taxes and insurance to cost RM400 per month. He knows he can get a 6%, 15 year mortgage so his mortgage payment factor is 8.43. He expects to make a 10% down payment. What is Aziz's affordable home purchase price? Round your answer to the nearest RM100.

(5 marks)

c. What legal actions are available when assistance is needed to resolve a consumer problem?

(5 marks)

d. What coverages are commonly included in a homeowner's insurance policy?

(5 marks)

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QUESTION 4 (20 MARKS)

To manage a financial crisis, many experts recommend that you take action to make sure your financial affairs are in order. Name and describe five steps you can take to ensure that your financial affairs are in order.

QUESTION 5 (20 MARKS)

a. Richard and Rachel Martin are both 35 years old. Although they graduated from college almost 15 years ago, they have never developed a diversified investment programme. What extra money they had was invested in high-tech stocks that did quite well until the last five years. Then, with the economic downturn, they encountered major losses.
How could asset allocation have reduced the dollar amounts of the Martin's losses?

(10 marks)

b. After graduating from a community college, you obtain a job as banker. Your monthly take-home salary is RM3,000. Your monthly expenses are RM1,800. Based on this information, what steps should you take to establish a long-term investment program?

(10 marks)

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